

The Chicago School Student of Bourgeois Civilization

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1. The Great Enrichment and Bourgeois Civilization

We all know that the economic world changed in the late eighteenth century. And we know that Britain led the way; perhaps, we'll acknowledge, preceded slightly by the Dutch. The change was permanent, although not inevitably so. The sharp upturn in living standards over the past 250 years is remarkable, however, and stands out as a major break in history unlike any of the rises in standards of living that preceded it. They all fell because their improvements were not sustainable over time. The previous periods of improvement regressed to the historic norm when crisis came, in one form or another – war, changes in leadership or institutions, and perhaps, as Gibbon (1910) claimed for the Roman republic, the loss of civic virtue. The historic norm was stark and seemingly unchanging: for several thousand years, with only the shortest of interruptions, at least 95% of the human population lived in extreme poverty – the level the World Bank today identifies with having an income between \$1 and \$2 per day. Yet today, a couple of hundred years after the beginning of what Deirdre McCloskey calls the “Great Enrichment,” we have reached the point where the population percentages are reversed; approximately 5% of the human population lives in extreme poverty today, and within a decade we may see the number drop below 1%. “The Great Enrichment,” McCloskey tells us, “is the most important secular event since the invention of agriculture. It has restarted history. It will end poverty, as for a good part of humanity it already has. Surprisingly, though, economists and historians ... can't explain it. Perhaps their sciences ... need revision” (McCloskey 2016, 8).

That the Great Enrichment was initiated in two of the bastions of Western Civilization does not surprise us, although since the Great Wars of the twentieth century, we've lost all interest in "civilization" talk. Discussion about changes in background cultural factors and institutional arrangements is about as far as we're often willing to go in addressing the prospects for future prosperity, much less the explanation of its rise in the past 250 years.

Then, along came Deirdre....

Most criticisms of McCloskey's Bourgeois Era trilogy by economists begin from the assumption that the root cause of the changes over the past 250 years lie in components of the production function and/or in the legal and policy context in which capital and labor operate. McCloskey challenges that assumption, arguing that something larger was afoot. But for the economist, there is nothing "larger" than the production function – "so lovely is the equation," McCloskey (2010, 38) says, "so tough and masculine and endlessly mathematizable"; they simply can't resist.

Many of the criticisms by historians and social theorists of McCloskey follow Karl Polanyi's argument that *The Great Transformation* (1944) came about because some societies unmoored economic exchange from its proper place, embedded within a society's social fabric. Markets, in Polanyi's history, did not exist in any significant sense before this transformation. But the dis-embedding offered the societies that pursued it a false god – prosperity outside the context of any social setting. Without a social mooring, however, economic activity wreaks havoc, and the eventual product of this so-called Great Enrichment will be social, economic, and political chaos. And disastrous climate change, a contemporary reader of Polanyi might say. Polanyi's vision offers a different version of Gibbon's argument – without the priority of civic virtue over profit, market society provide a prosperity that is harmful to our future.

But the economist, historian, and sociologist all miss what McCloskey is really about. She is an economist, but her trilogy is not a text on economics. Neither is it an attempt to create a new economic sociology. Instead, McCloskey offers us a story of the emergence of a new form of civilization – bourgeois civilization. While it emerged in the center of what we used to call Western civilization, it is not defined by the same things that civilization studies used as markers for different civilizations. It did not create a new language – although across languages it emerged from a new way of talking. It did not create new and unique artifacts – although it certainly created a lot of artificial (by any definition of that word!) stuff, some of which was new, unique, and useful. And, most importantly, it was not defined by any society’s elite. In fact, one might call bourgeois civilization the *civilization of ordinary people*.

For McCloskey, a consequent of the latter claim is that bourgeois civilization can be shared across prior civilizational lines; that is, as bourgeois civilization has spread across the globe over the past 250 years, it has transformed for the better the lives of all people, but especially the poor. That is a feat that no other civilization has achieved. Other civilizations achieved riches for their elite (for a time), at the expense of other societies *and* their own poor, ordinary folk. But bourgeois civilization has been different. McCloskey often refers to Adam Smith, the first student of bourgeois civilization. In Book 3, chapter 4 of the *Wealth of Nations* Smith (1976, 411-27) tells us the story of the transformative effect trade had on the lives of England’s “great proprietors” and their tenant farmers. McCloskey extends that story to elites and ordinary folk of all nations. In his chapter, Smith described how the expansion of trade transformed the lives of the “great proprietors” by giving them access to the riches of the world in cities like London. But the point of Smith’s chapter, captured in its title – “How the Commerce of the Towns Contributed to the Improvement of the Country” – did not stop there. As the wealth of trade

turned the great proprietors' attention (and perhaps more importantly, that of their wives and daughters) toward the cities, their tenants were given spare time and space to turn their attention also to trade. They could produce more, not for the proprietor, but for their own purposes and trade, which would improve their lives immeasurably more in the long run than participation in the arts and commerce and finance of the towns and cities would improve the livelihoods of the great proprietors. As McCloskey's bourgeois civilization has spread around the world, a similar story has occurred; elites benefit first, and ordinary people after, and to a greater extent than the elite. Near the end of her third book, having reminded us again that poor workers have seen real incomes rise by a factor somewhere between 30 and 100 since 1800, McCloskey implores us to take the point seriously, both scientifically and morally: "That is why it is scientifically crucial to grasp the size of the Great Enrichment, and why I keep repeating it. If you grasp the scientific truth, and inscribe it on your heart, your attitude toward the economy and its history will shift" (McCloskey 2016, 576). We all live in a bourgeois civilization, and are the better for it.

2. The Chicago School Background – McCloskey and Frank Knight

McCloskey tell us that explaining the Great Enrichment "is the central scientific task of economics and economic history, and it matters for any other sort of social science or recent history" (McCloskey 2016, xiv). But despite the fact that the magnitude of the Enrichment might suggest otherwise, most economists and historians apply to the Great Enrichment the same explanatory frameworks they use for earlier times. In *Bourgeois Dignity*, the second book of the trilogy, McCloskey details a long list of the explanations provided by others. Geography, capital, institutions, foreign trade, cultural attributes, colonization, slavery, and so forth, are examined and cast aside by McCloskey as the primary explanations. Each of these factors, she argues, has

existed before and contributed in some way to the brief periods of improvement that the world had seen. But those episodes disappeared; the Great Enrichment hasn't. Thus, the standard models don't explain the Great Enrichment.

For McCloskey, the question we have to ask is a different one. Instead of asking what existing factor, or combination of factors that had failed to generate sustained prosperity before, created enough energy this time for the Great Enrichment to take off, she turns the question around. What we have to look for, she argues, is what was *missing* in the earlier unsustainable periods of prosperity that *is present* in the Great Enrichment. *Bourgeois Dignity* teaches us that the known factors, either individually or in tandem, are insufficient – lack the scientific “oomph,” she says at one point – to explain the size of the Great Enrichment. We have to look for a new factor that did not exist previously. The notion that looking for what was missing in previous civilizations is a form of comparative history that one of McCloskey's Chicago School heroes advocated.

In the fall of 1927, Frank Knight arrived at the University of Chicago to start teaching in the economics department. He had just submitted the page proofs for his translation of Max Weber's *General Economic History* (1927), which was the first of Weber's works to be translated into English. He was also working on an article-length survey of the German Historical School (Knight 1928), presumably part of his preparation for teaching the history of economic thought and designing a new course on Institutionalism. (Yes, Knight was *not* hired to teach price theory at Chicago; he fell into that a couple of years later.) Reading widely in the German literature, Knight found its treatments of the theory and history of capitalism weak, including Weber's account (1930). Knight, who only a few years before had argued that the only ethic of competition was sportsmanship and that such an ethic was unknown within Christian

ethics (Knight 1923), was unlikely to accept the link Weber made between religion and the “spirit” of capitalism! However, one thing about Weber’s work did impress Knight:

Whatever one may think of his Puritanism theory, there is surely one respect in which Max Weber towers above all the other writers noticed; he is the only one who really deals with the problem of causes or approaches the material from that angle which alone can yield an answer to such questions, that is, the angle of comparative history in the broad sense. It seems ... that the question of the origin of capitalism would gain by being stated in negative form: Why did capitalism *not* develop ... in other times and places than modern western Europe? Especially, why was there no development comparable to that of modern times in the classical and ancient civilizations? Max Weber discusses these questions.” (Knight 1928, emphasis in original)

Knight complained that the other members of the Historical School were satisfied with telling the sequential story of the forward progress of history, one event leading to another. Standard arguments about historical causation were accepted without pause; among economists, the common links between capital accumulation and economic growth, or today, the incentive effects of institutional changes, become *de rigueur*. The historian, therefore, did not ask the “negative form” of the historical causation question: why didn’t *this consequent* happen when the antecedent occurred in the past?

McCloskey’s argument fits Knight’s question well. The Great Enrichment happened once, and it represented a well-spring of economic growth and progress that was exponentially larger than any theory of capital accumulation or institutional effects, etc. could hope to explain.

Yet economists and historians continue to make those arguments. Why? Because they did not think to ask: why didn't exponentially higher levels of economic growth and prosperity arise from earlier moments where capital accumulation occurred. What was necessary for the sustained benefit to emerge?

Now, admittedly, Knight's own efforts to explain the rise of capitalism were also inadequate. In the initial essay quoted earlier, he seems to come down on the side of Lujó Brentano's rejection of Weber, but the materialist focus doesn't satisfy Knight – McCloskey might well say that he thought it lacked "oomph." Like Weber, Knight's later writings on the subject are made in the context of examining the relationship between religion and economics (Knight and Merriam 1945). In that book Knight was more concerned about the rise of economic liberalism against the backdrop of religious ideas, than of the expansion of the Great Enrichment. And, of course, like the Austrian economists that Erwin Dekker (2016) recently studied, Knight was throughout the 1930s and 1940s worried most about the prospects for the decline of liberalism (see Knight 1947; Knight 1951). The despair he experienced during the 1930s about the future of free society diminished some during the 1940s, but he would never approach McCloskey's more optimistic tone.

Knight's failure to provide an adequate explanation could add him to the lineup of those whom McCloskey criticizes for missing the point. Yet, just as Knight disagrees with Weber while praising him for his method, McCloskey often praises Knight while disagreeing with his efforts to explain the Great Enrichment. The reason is that Knight always argued that a social scientist needed a broader canvas for explaining social outcomes than that provided by any single social science. In particular, Knight argued that society needed an independent ethical framework that could keep the economic and political forces in check. Unfortunately, Knight was better at

criticizing ethical systems than he was in arguing for them. But he consistently argued for “the validity and necessity of a real, non-scientific, transcendental ethics” (Knight 1922, 479) even if he could not articulate what it looked like. He may well have liked McCloskey’s *P* and *S* approach to melding classical virtue theory with the prudence of bourgeois civilization (McCloskey 2006).

Also, like McCloskey, Knight was interested in the intersections of talk, ideas, and trade. When he arrived in Chicago, he met the linguist Edward Sapir. Knight’s evolutionary understanding of culture drew on Sapir’s link between language and culture; emphasizing the difficulty which the emergence of liberal and bourgeois ideas would meet in societies with long institutional and linguistic traditions (Knight 1962). Integral to Knight’s vision of human cultural evolution were the roles of novelty and discussion. Humans pursue novelty, Knight argued, a point that McCloskey makes central to her vision of capitalism as “market-tested improvements.” And humans talk; all the time. Knight argued that the most important novelty introduced at the beginning of the Great Enrichment was the installation of talk as a form of governance – democratic discussion (Emmett 2007). While Knight focuses on the way discussion allowed democratic governance to emerge, McCloskey’s emphasis is on the way language began to respect bourgeois dignity and equality. The two emphases are closely linked of course, and suggest a linkage provided by the Chicago School of Economics; a school that otherwise largely rejected the key ideas of Knight (Emmett 2009).

In this Knightian framework, we see how *Bourgeois Virtues*, the first volume in McCloskey’s trilogy, fits well with the rest. For the economist, while the first volume is “interesting” (as in the curse “may you live in interesting times”), the second and third volumes at least provide arguments the economist can wrestle with. But for McCloskey and Knight,

economics is insufficient: a civilization cannot thrive on politics and economics alone. Social science must dance with ethics; P(rudence/Profane) and S(entiment/Sacred) must become intertwined. Trade and talk go hand in hand.

To consider the Bourgeois Era trilogy as a whole requires us to consider McCloskey's ethical framework from *Bourgeois Virtues* as an integral part of bourgeois civilization. And that means that how we talk is as important as how we trade; that our ideas are as important as our capital, if not more so. In *Bourgeois Virtues*, McCloskey quotes Knight to suggest that only an ethical framework that combines P & S can provide the "moral habitability" (Knight 1922, 478) of bourgeois civilization.

A Civilizational Perspective

To explain the rise and character of bourgeois civilization, McCloskey tells us we need more than the social sciences offer for explanations. Social science-based explanations focus on geography, resources, capital, colonization, institutions, and culture. All of these explanations fail the Knight's comparative historical test; none of them alone or in tandem contain enough explanatory power for the Great Enrichment. They play a role, but they have to accompany something else. That something else comes from ideas and talk.

We used to talk about ideas and language a lot. "High" civilization combined the two in logic and grammar, mathematics and the sciences, history and the arts. The educational imperative for elites was inculcation in the ideas and language of the civilization. Civilization, it was assumed, civilized. That is, it provided an external constraint to our instincts and passions in order to allow civil discourse and interaction. Also, it existed to enable the elite to rule the common (unconstrained) people. Different civilizations provided different means of restraint,

usually some mix of rules, regulations and sanctions enforced by language, religion, culture, and institutions. The term civilization fell from common usage after the second World War as we began to realize the wide range of behavior that different societies considered “civilized,” realized that perhaps the rule of elites deterred development, and sought not to impose the standards of one civilization on all others.

Common to many civilizations, however, were constraints on market participation. The introduction of bourgeois civilization had to break those constraints, which took decades. Novelty played an important role, as did the gradual evolution of rules which were bent and broken to make room for the new rhetoric and ethics. The process, indeed, is ongoing.

An example of the vestiges of the pre-bourgeois market constraints comes from a wonderful scene in the TV series *Mr. Selfridge* (season 1, episode 10) when King Edward VII asks for a private after-hours shopping session at the new London department store. The store is closed and the staff line up to serve the King, who comes over to Mr. Selfridge and asks if he could buy a scarf for his wife. At that point, you realize that the King is jingling coins in his hand. Mr. Selfridge of course says that the King could take whatever scarf he wants, but Edward VII insists on paying. The King quietly tells Mr. Selfridge that he has never actually bought anything himself. He wonders what the price of the scarf is; Mr. Selfridge takes his coins and says that they will cover it. The King is so happy to have, for once, paid money for an item that he never realizes that he still has paid far less than the scarf’s price. Every clerk on the shop floor knows the price; the King doesn’t. He has no idea of the market value of things. The lingering constraints of his civilization make him a poor market participant. Indeed, Mr. Selfridge’s actions seem kind, and yet he gains a strategic advantage at little cost.

Not just the accumulation of capital. Not just the adjustment of existing institutions and creation of new ones. Not just the production of new goods and services for a laboring public. The Great Enrichment occurred because of a new perspective on the world, and the economic activity that resulted became the basis for the expansion of that new perspective. At the heart of the new world was the ordinary person, not the elite. The shop clerk, the shop owner, the weaver of the scarf, the sheep farmer whose sheep provided the wool. The installer of the lights that enabled the shop to remain open into the evening. The designer who thought about the placement of scarfs and gloves on shelves. The window dresser who put together the display that drew customers in. The coder who created the website (okay, now we're moving from the late nineteenth century to the twenty-first!). The economist using big data to figure out from your buying habits what would be the best thing to show you when you open your first phone app of the morning. Shall I go on? Oh, you've heard it before – in what I call the “ode to the division of labor” that is the final part of the first chapter of the *Wealth of Nations* (Smith 1976). Perhaps we should realize that it was also an ode to market-tested improvements.

McCloskey's Challenge

I have claimed, though perhaps not proven, that McCloskey provides a civilizational perspective on the Great Enrichment. Her argument that it was ideas and talk that brought us the Great Enrichment reflects that perspective, as does her evidence from a wide range of factors that social scientists do not usually use. The disquiet her argument causes in economics seminar rooms is not surprising, nor is their disregard for her argument. She is talking a different language than they are.

But for people willing to entertain McCloskey's civilizational perspective, there are two new challenges to confront. Both challenges cut across traditional discussions of civilization, but in different ways. The first challenge is her argument that bourgeois civilization is not just an extension of Western civilization. The West is constantly present in attacks on capitalism and globalization. The implication is that these things are a new colonialism, a new way for Western civilization to dominate the rest of the world. McCloskey's argument runs against this with the claim that bourgeois civilization is a challenge to the traditions of Western civilization as much as it is the traditions of other civilizations. Just because market-tested improvements became accepted in the Netherlands, Great Britain, and North America before they did elsewhere does not mean that the bourgeois civilization is "Western." It was as much of a challenge to Western civilization as it has been and is to others.

To put the argument a different way, McCloskey argues that everyone can participate in bourgeois civilization, regardless of their other civilizational associations. To be sure, McCloskey does not mean that there can be a Chinese capitalism or a Greek capitalism or a Bolivian capitalism that succeeds while differing substantially from the rest of the bourgeois world. Bourgeois civilization trades on something that is common to all ordinary folk: what Smith called the "propensity in human nature to truck, barter, and exchange one thing for another" (Smith 1976, 25). It is the civilization of ordinary people, the common folk.

Naturally, elites will always resist the introduction of bourgeois civilization. They will use cultural, economic, and political means to resist the force of ordinary talk and trade, or try to control both the talk and the trade. Where they succeed – and they can, at least for a time – the quality of life for ordinary folk will deteriorate, and the elite will regain economic and political power.

Many fear that the imposition of bourgeois civilization on non-Western societies will destroy their traditional forms of culture and civilization. Tyler Cowen (2002), however, has shown persuasively that this is not the case. The thing about bourgeois civilization is that ordinary people are already accustomed to talking and trading in ways that extend and amend their existing ideas. Indeed, they are often able to extend their talk and trade to a wider range than they could when under the control of elites. Of course, what ordinary people do when talking and trading is not the same thing as the elite does, and thus those who wish to preserve the “high” culture of the previous society will be disappointed by what remains as their civilization merges with bourgeois civilization.

The second challenge emerges from the first. Bourgeois civilization is a form that defines itself in terms of the activities, virtues and rhetoric of ordinary people, not elites. In the retreat of civilizational studies over the past half-century, concerns about changing values and activities have been focused on the ways in which the experiences of everyday life and social interaction have been transformed by the power relations of markets. McCloskey both borrows from, and challenges, the cultural studies paradigm, built upon the Polanyi perspective I discussed earlier. McCloskey shares with those critics concern about a Prudence-Only view of human action and institutions. Fortunately, she claims, people naturally resist prudence-only, and bring their sentiments and idea of the sacred as a complement. In her consideration of Polanyi, she says that he was correct about the social embeddedness of markets. But then she goes on to argue that even capitalist market relations are socially embedded. Capitalism does not dis-embed market activity; people meld bourgeois activity with their ethical sentiments.

Her second challenge then, is to the view that bourgeois civilization is an imposition on traditional societies that disempowers ordinary people, giving power to a new elite comprised of

capitalists and their cronies in government. The “clerisy” – McCloskey’s term for the new intellectual elite – is alarmed by the cities, and the trashy jobs, and disintegration of traditional village life, etc. They want to protect workers from sweatshop jobs, raise minimum wages, and ensure village life. In other words, they want to keep people down on the farm. But how are they going to do that, without force and coercion, once people have seen market-tested improvements, and realized that they can participate in bourgeois civilization? Bourgeois civilization always has its eyes turned toward the future; the improvements that markets will provide that ordinary folk can test. Those who are unhappy with bourgeois civilization, McCloskey tells us, have their eyes set on the present, with a whiff of vague nostalgia for the past.

It’s like standing too close to a pointillist painting, such as Georges Seurat’s *A Sunday Afternoon on the Island of La Grande Jatte* in its room at the Art Institute. At close range we see the dots as dots only and lament the disorder. We ache for the real telephones and beloved horses in our homeland. If we stand back, however, the disorder resolves into an attractive scene, with many, many humans now having lives of wide scope. The ongoing history, so lamentedly destructive of the dots of remembered hours of gladness, lost, alas, like a youth too soon, reveals its attractions when seen in longer perspective. The attractions are masses of people much better off now than two centuries ago, and a massy democracy.
(McCloskey 2016, 620)

The second part of McCloskey’s challenge, then, can be stated this way. Do we want a society where the everyday life of ordinary people holds the expectation of improvements tomorrow? Or

is our aspiration (like that of both the left and right) the desire for ordinary people to enjoy the everyday life of elites had one hundred years ago?

Conclusion

Anyone who has read McCloskey's trilogy knows that her chapter titles tell us the argument she is making. When I started this paper, I wrote out my argument as a set of McCloskey-est titles. There were thirteen, far more than could be used as section headings for the paper! I chose to divide the paper into a smaller set of sections that would allow me to discuss several pieces of the argument at a time, but which produced boring section titles. The conclusion, then, will repeat the argument, but this time simply through the sentences that might have served as the section headings.

Explaining the Great Enrichment Requires Us to Look for What Was Missing from Previous Prosperous Interludes. Looking for What Was Missing is a Form of Comparative History Advocated by Frank Knight. Knight's Own Explanations Fell Short, But His Comparative Method was Right. Looking for What Was Missing Requires More than Economics. But the Answer Does Not Lie in Culture, or Politics, or Social Factors. In Other Words, We Need Something Different from What Modern Social Science Explains. McCloskey Calls It a Change in Our Ideas and Our Talk. I Agree, But the Change Can Also Be Called a Change of Civilization. What the Change in Our Ideas and Talk Ushered in Was Bourgeois Civilization. McCloskey Argues that Bourgeois Civilization is Not Just an Extension of Western Civilization. Everyone Can Participate in Bourgeois Civilization, Regardless of Their Other Civilizational Associations. The Challenge McCloskey Presents to Civilizational Studies is That

of a Civilizational Form that Defines Itself in Terms of the Activities and Rhetoric of the Ordinary Person.

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